



Report to the Auburn City Council

Action Item

Agenda Item No. **18**City Manager Approval

To: Mayor and City Council Members
From: Bernie Schroeder, Director of Public Works
Andy Heath, Director of Administrative Services
Date: May 14, 2012
Subject: Fiscal Year 2012/13 Sewer Service Charges

The Issue

Shall the City Council implement the scheduled sewer service charges as previously adopted?

Conclusion and Recommendation

Staff recommends, BY MOTION, the Council implement the scheduled sewer service charges as adopted on June 25, 2007.

Background

On June 25, 2007, the City Council approved a monthly sewer service charge schedule for a six year time period. The schedule was amended in 2010 to keep the sewer service rates unchanged for fiscal year 2010/11. Staff presented Council with several options to review and Council implemented the rate of \$58.25 per Sewer Unit in May 2011. The approved amended sewer service charges are shown below:

Monthly Sewer Service Charges

Fiscal Year 2007/08: \$52.50 per Sewer Unit
Fiscal Year 2008/09: \$54.25 per Sewer Unit
Fiscal Year 2009/10: \$56.25 per Sewer Unit
Fiscal Year 2010/11: \$56.25 per Sewer Unit
Fiscal Year 2011/12: \$58.25 per Sewer Unit
Subsequent Years: \$60.50 per Sewer Unit

Analysis

Due to the uncertainty of Auburn moving forward with on-site compliance or accepting the Lincoln Proposal for the Regional Sewer Project, staff is recommending implementation of the last scheduled monthly sewer service charges approved in 2007. The scheduled monthly sewer service charge would be \$60.50 per Sewer Unit. This increase represents approximately \$100,000 in additional revenues annually.

If the City Council chose to accept the Lincoln Proposal for the Regional Sewer Project, the City would be obligated to fund the environmental and engineering costs at \$1.848 million over the next year. The City currently has \$2.245 million in reserves previously designated as available for the regional sewer effort that could be used to fund the environmental and engineering costs of the

Regional Sewer Project, should the City elect to direct efforts in that manner. The total project cost, including environmental and engineering, is \$35 million for Auburn.

If the City Council chooses to move forward with on-site compliance at the City's Wastewater Treatment Plant, the next major capital project would be an Oxidation Ditch which is estimated at \$4.8 million. The \$2.245 million in reserves previously mentioned, in this case, would be recommended as a component of funding for the ditch. Financing of either of these projects (onsite or regional) requires implementing the adopted sewer service charges. Regional would require other sources of funds or a subsequent rate increase prior to construction of facilities.

After the final implementation of the approved rate schedule for Fiscal Year 2012/13, the City Council will be required to approve all future sewer rate increases. Future rate increases may be implemented at the City Council's discretion, but the rates may only increase by an amount not to exceed the change in the San Francisco Bay Area Consumer Price Index (CPI) for all urban consumers, as published by the US Department of Labor (but not more than 5% per year) without giving additional notice pursuant to Article XIID, Section 6(B)(2) of the California Constitution. Any increase beyond the CPI, will require a rate study and a Proposition 218 hearing.

Additional Information:

Each year, the City is required to conduct a Public Hearing and adopt a resolution authorizing the collection of the City of Auburn Sewer Service Use Charges to be placed on the County of Placer Tax Roll. Due to noticing requirements for the public hearing, staff needs to prepare the annual Fiscal Year 2012/13 Sewer Service Use Charge Report by the beginning of June to ensure placement of the City of Auburn Sewer Service Use Charges on the County of Placer Tax Roll.

Alternatives Available to Council; Implications of Alternatives

1. Proceed with Staff Recommendation
2. Do not proceed with staff recommendation

Fiscal Impact

The scheduled rate increase will add approximately \$100,000 in additional revenues to the Sewer Fund annually to fund operations and capital projects.